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U.S. Congress.

Purchase of tobacco

Washington, D.C.

1914

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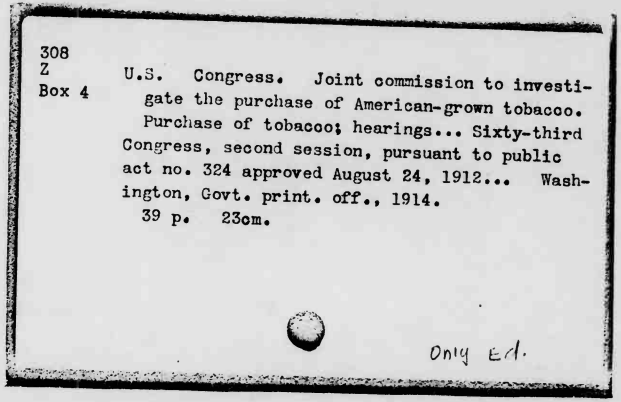

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PURCHASE OF TOBACCO

HEARINGS

BEFORE THE

JOINT COMMISSION TO INVESTIGATE THE PURCHASE OF AMERICAN-GROWN TOBACCO

SIXTY-THIRD CONGRESS
SECOND SESSION

PURSUANT TO

PUBLIC ACT NO. 324

APPROVED AUGUST 24, 1912

Printed for the use of the Commission

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

COMMISSION TO INVESTIGATE PURCHASE OF AMERICAN-GROWN TOBACCO BY FOREIGN GOVERNMENTS.

THOMAS S. MARTIN, Senator from Virginia, *Chairman*.
HENRY CABOT LODGE, Senator from Massachusetts.
FRANK B. BRANDEGEE, Senator from Connecticut.
HENRY D. FLOOD, Representative from Virginia.
CHARLES M. STEDMAN, Representative from North Carolina.
WILLIAM B. McKINLEY, Champaign, Ill.

PURCHASE OF TOBACCO.

WEDNESDAY, JUNE 24, 1914.

COMMISSION TO INVESTIGATE THE PURCHASE OF AMERICAN-GROWN TOBACCO.
Washington, D, C.

The commission met at 10.30 o'clock a. m., pursuant to the call of the chairman.

Present: Senator Martin (chairman) and Mr. Flood.

Also present: Senator Claude A. Swanson, and Walter A. Watson, Member of Congress, and Edward W. Saunders, Member of Congress, at the request of the chairman.

The following gentlemen, members of the Farmers' Educational and Cooperative Union of America, appeared before the commission:

S. Newbil, Halifax County, Crystal Hill, Va.
J. W. Guerrant, Caroline County, Sparta, Va.
T. F. Turner, Buckingham County, Diana Mills, Va.
W. M. McAden, Brunswick County, Brodnax, Va.
J. M. Fee, Buckingham County, Dillwyn, Va.
D. S. Bray, Halifax County, Houston, Va.
A. L. Melton, Florence County, Bremo Bluff, Va.
E. T. Bondurant, Prince Edward County, Rice, Va.
A. E. Taylor, Florence Co., Wilmington, Va.
A. B. Thornhill, Appomattox County, Bent Creek, Va.
J. H. Fuller, Pittsylvania County, Callands, Va.
C. W. Cocke, Bedford County, Goode, Va.
C. G. Murray, Bedford County, Goode, Va.
Walter Vaden, Chesterfield County, Winderpock, Va.
A. B. Rice, Charlotte County, Randolph, Va.
J. D. Pickerell, Pittsylvania County, Sycamore, Va.
R. O. Garret, Cumberland County, Cumberland, Va.
H. L. Moore, Dinwiddie County, Carson, Va.
G. W. Matthews, Brunswick County, Meredithville, Va.
George H. Bowles, Amherst County, Sandidge, Va.
H. F. Fralin, Franklin County, Union Hall, Va.
W. L. T. Hopkins, Franklin County, Sontag, Va.
S. D. Slocum, Chesterfield County, Beach, Va.
E. J. Moss, Louisa County, Hopefield, Va.
C. C. Newbil, Halifax County, Clover, Va.
B. T. Clark, Dinwiddie County, Church Roads, Va.
J. H. Wright, Louisa County, Louisa, Va.
Jas. W. Matthews, Brunswick County, Charlie Hope, Va.
R. J. Nichols, Buckingham County, Gold Hill, Va.
M. G. Donnovant, Buckingham County, Dillwyn, Va.

F. V. Settle, Amherst County, Amherst, Va.
F. L. Rice, Charlotte County, Saxe, Va.
R. Lee Chambliss, Brunswick County, Rawlings, Va.
W. H. Jennings, Amherst County, Amherst, Va.
W. H. H. Winston, Amherst County, Anderson Hills, Va.
R. D. Wilson, Bedford County, Hadleston, Va.
J. L. Baker, Louisa County, Louisa, Va.
C. S. Gordon, Mecklenburg County, Baskerville, Va.
R. H. Moody, Jeffreys, Va.
W. G. Pittard, Buffalo Junction, Va.
G. D. Bowen, Buffalo Junction, Va.
H. M. Green, Charlotte County, Saxe, Va.
W. B. Williams, Goochland County, Sabot, Va.
John W. Guerrant, Caroline County, Sparta, Va.
D. S. Bray, Halifax County, Houston, Va.
R. L. Hawks, Nottoway County, Wellville, Va.
M. E. Padgett, Bedford County, Forest Depot, Va.
W. E. Oliver, Cumberland County, Columbia, Va.
J. W. Oliver, Cumberland County, Columbia, Va.
J. L. Meadows, Henry County, Boxwood, Va.
S. T. Newman, Patrick County, Stewart, Va.
W. L. Craft, Franklin County, Glade Hill, Va.
R. E. Blackwill, Lunenburg County, Hillsdale, Va.
H. C. Marshall, Charlotte County, Saxe, Va.
W. H. Doran, Surry County, High Gate, Va.
S. J. Rowlet, Amelia County, Amelia Courthouse, Va.
H. E. Richardson, Prince Edward County, Farmville, Va.
J. H. Durvin, Louisa County, Bumpass, Va.
W. B. Williams, Goochland County, Sabot, Va.
A. C. Wood, Buckingham County, Wingina, Va.
R. B. Hudgines, Buckingham County, New Canton, Va.
W. F. Wood, Campbell County, Concord, Va.
H. C. Marshall, Charlotte County, Saxe.
R. C. Hart, Louisa County, Apple Grove, Va.
J. N. Terry, Halifax County, News Ferry.
P. R. Wrag, Henry County, Martinsville, Va.
W. H. Jennings, Amherst County, Amherst, Va.
T. F. Turner, Buckingham County, Diana Mills, Va.
A. B. Haden, Pittsylvania County, Sycamore, Va.
A. E. Taylor, Fluvanna County, Wilmington, Va.
D. M. Gannaway, Buckingham County, Guinea Mills, Va.
D. M. Blankinship, Campbell Co., Naruna, Va.
J. W. Cawthon.

The CHAIRMAN. Gentlemen, we had just as well get right to business, so as to consume as little time as possible, though I would say that we are prepared to give all the time that is necessary for this hearing. If there is anything you want to present we are here to hear it, and to remain as long as you think you can give us anything that will help the tobacco growers. We have not been able to solve this problem. We have been giving it some thought for years, and it has been impossible for me, for one, to see any light—to see any way out. I should be very glad to hear whatever you gentlemen have to present. I am sorry that the commission is not here in full force this morning.

STATEMENT OF MR. D. M. GANNAWAY, OF GUINEA MILLS, VA.

Mr. GANNAWAY. Mr. Chairman, this tobacco question has been a burning issue with us for many years, and we, the growers, have found that we are getting poorer and poorer as the years go by, growing a product that furnishes revenue not only to our Government at home, but largely so for governments abroad.

This question has been in the courts. A great deal of evidence has been presented to your body, and the Hon. Herbert Knox Smith, the Commissioner of Corporations, has incorporated in two volumes evidence taken on the question at home and abroad; but despite everything we have done as individuals or as an organization, we have failed utterly to get any great benefit, and we are here to-day at our own expense representing not alone our own interests, but the interests of the tobacco growers of the entire State of Virginia, and indirectly of the entire United States.

Mr. FLOOD. Let me interrupt you right there, Mr. Gannaway. We should like to know definitely what tobacco growers you do represent, because in most of the hearings before this committee, during last year principally, Maj. Stedman, a member of the commission, stated that so far as the bright tobacco growers were concerned, they were satisfied with the then existing conditions. We got the same information with reference to the growers of Burley tobacco. The other types of tobacco that are grown in Kentucky then seemed to be bringing a satisfactory price; but the most unsatisfactory price was received by the dark-fired tobacco growers. From the evidence we have had, the bright tobacco growers were satisfied with the price that they were at that time receiving, and so were the growers of Burley tobacco, and in view of the statements made by the representatives of those types of tobacco before this commission we should like to know for the growers of what types of tobacco you do officially speak.

Mr. GANNAWAY. We represent every type of tobacco grown on the soil of Virginia, and we are here from every section where leaf tobacco is grown in our State; and despite the fact that the representatives of these tobacco people have offered evidence before you, and that possibly some evidence has been presented, as you have stated—and I am very sure you are correct in that—leading you to believe we are satisfied, we are here to-day——

Mr. FLOOD. No; I have not known or heard of anybody who said that the growers of the dark-fired tobacco were satisfied.

Mr. GANNAWAY (continuing). We are here to-day from every section, as I stated, to present this cause, and to bring your attention to the fact that we are not satisfied, and that these statements which have gone out to the tobacco world that we growers are satisfied, and that we are rolling in clover or are making money, are erroneous. We do not come here to take up your time to give evidence, because we are satisfied that sufficient evidence has been presented before this commission; and also we have just had some rains in Virginia now, something that we have not had for a very long time, and as most of us are tobacco growers we are exceedingly anxious to get home to-night. There are some of us who have not planted one plant of tobacco this year. I am one of those who are in that bunch.

I should like to read you a statement which this entire committee has adopted, if you are ready to hear it. It is as follows:

WASHINGTON, D. C., *June 24, 1914.*

We, the members of the Farmers' Educational and Cooperative Union of America, Virginia division, representing the tobacco growers of Virginia, in special session assembled, do affirm the following:

First. That the cost of producing tobaccos is steadily increasing and that the production is passing more and more into the hands of tenants instead of real owners of lands, thereby tending to lower grades and quality.

Second. That this means disaster in the long run, for it steadily despoils the lands of fertility and leaves our country covered with broom-straw fields and gullies.

Third. That the prices for tobaccos are not nearly high enough to enable the growers to reap such a profit as will anything like pay them for the labor expended, and that such prices as are now paid for our tobaccos are rapidly driving our best young people from the farms and are reducing thousands of those who remain on the farms to almost slavery conditions and real want.

Fourth. That there still exists such strong combinations among manufacturers and purchasers generally of tobaccos, not only in America, but also in foreign lands, as to destroy almost all competition in the so-called tobacco market and to leave the purchasers of tobaccos in America absolutely at the mercy of a merciless purchasing power at home and abroad.

Fifth. That every effort on the part of the producers to combine to sell or to pool tobacco for mutual protection has been met with great opposition from this same purchasing power, and that the growers have received no lasting or final relief, and that all of their efforts have met with such failures as to compel the growers to seek further and more radical means for relief. Therefore be it

Resolved by these representatives, That we earnestly urge the commission appointed by the United States Congress to investigate the conditions in the tobacco business, to complete their investigations at the earliest possible moment consistent with a full and complete history of actual conditions, and that said commission do recommend some radical steps or means of relief for the tobacco growers to be taken by the Government of the United States of America.

Further, we urge your honorable commission that you recommend the establishing of a bureau for the purpose of marketing tobaccos by the United States Government so that the producers may receive fair and remunerative prices for their produce.

And that you further recommend that this bureau, if necessary, send abroad a special representative of the United States Government for the purpose of obtaining orders direct from the purchasing sources in foreign lands, said orders when received to be filled by the farmers themselves in America.

And further we call your attention to the fact that a bill has been presented in the Congress of the United States looking to the Government taking complete charge of the producers and consumers' interests in tobaccos in America, and that we believe this will ultimately have to come before complete relief will be obtained by both interests herein mentioned.

And further we would call your attention to the fact that some hundreds of millions of pounds of tobacco are now exported in the raw state every year upon which our Government obtains not one cent of revenue and which is grown at a loss by American citizens.

All of which is respectfully submitted.

Mr. Chairman, having failed, as I stated a while ago, as individual citizens, and having failed as organized producers, we have come, we believe, to the last resort, the agency of our construction, an agency not only of our construction, but which we support, and we ask of this agency to use its every effort in behalf of us, its oppressed citizens. I thank you. [Applause.]

The CHAIRMAN. The commission will be glad to hear from any others who are present who would like to say anything on this subject.

Mr. WRAY. Mr. Chairman, I wish merely to say this in regard to the resolutions which have been adopted here. We farmers have done everything we could do, as we feel. You gentlemen are the watchmen we have set upon the walls to guard our interests. To you we are

looking for protection, for help in this our dire need and necessity, now. Why, the President of the United States sends the Army and Navy of the United States, supported by our citizens, down into our neighboring Republic of Mexico. We are here asking at your hands protection for our interests here in our own beloved country and in our grand old State of Virginia.

Mr. Chairman, if you gentlemen of this body can in your widsom see any means that we do not see by which we can get relief, if you can suggest something that will meet the emergency, we ask you to do it, and we assure you that we will accept it at your hands; and if you will only do something that will relieve this oppression of the tobacco growers of our land and restore the prosperity that once existed among them, rest assured that posterity will rise up and call you blessed.

The CHAIRMAN. We shall be glad to hear from any other gentleman who is present who can make any suggestion to aid in the solution of this question.

Mr. GORDON. Mr. Chairman, coming from the bright tobacco section, I feel it a duty devolving upon me to have something to say in regard to the rumor that Mr. Flood spoke of just now as coming to you gentlemen, that the bright tobacco growers were satisfied with the prices now being received.

Mr. FLOOD. That was not rumor. It was a statement made by Maj. Stedman, who represents a bright tobacco district of North Carolina, and also I have heard in an unofficial way as a rumor about the good prices that bright tobacco growers were getting.

Mr. GORDON. As a matter of fact, for 40 days, or from the 1st of November, 1912, to the 22d of December, bright tobacco sold about 20 per cent better than it had for 12 or 14 years. From the 1st of November last, until the 12th of December, the prices in the medium and common grades exceeded anything since 1880. But, mark you, sir, after the Christmas holidays some of the tobacco companies claimed that they had a stock on hand and we fell into the hands of the American Tobacco Co., who claimed that tobacco had been beyond their reach.

Mr. FLOOD. Mr. Gordon, you were not deceived by their claims?

Mr. GORDON. Sir?

Mr. FLOOD. Were the tobacco growers deceived by the claims of the company?

Mr. GORDON. Yes, sir.

Mr. FLOOD. Why?

Mr. GORDON. We believed from evidence we got, and could produce, that it was simply a combination between the tobacco companies by which they said, "You buy this and I will buy that and you buy the other." As a matter of fact, the tobacco growers on the warehouse floors could go along and could see the arrangement—or, that is, virtually see it—that the different companies had made to buy; a certain number of piles of a certain grade here and a certain number of piles there. One would buy, and then he would get off and let the other fellow buy.

Mr. FLOOD. What I meant by asking if you were deceived was, what you meant by saying that the company had a certain stock on hand and did not need your tobacco. They can not fool you with a statement like that now, can they?

Mr. GORDON. I do not think so.

Mr. FLOOD. Because Congress has passed a law requiring the Census Bureau to get a report from these companies of exactly how much tobacco they have on hand at stated periods, and they send that information out to the tobacco growers, and there is no reason why they should fool you about that.

Mr. GORDON. That is something, Mr. Flood, that we want to know about to-day. We have failed to get this report. They have claimed that there was an overproduction; and it is for that reason that we have asked that the commission be inaugurated, and that we might have a final report so as to know whether or not it was a matter of fact that there was an overproduction, or whether or not it was slavery that they were aiming to put us under.

Furthermore, there is another rumor that has gone out in the public press—which the tobacco companies, however, deny, but from the evidence we believe that there is something in it—and that is in regard to driving the producers of the tobacco to market their crop—the bright tobacco crop especially—before the Christmas holidays. Those of you who are farmers know that it is a matter of impossibility for us farmers to maintain our farms and to strip the crops of tobacco and to market them before the Christmas Holidays, and as we have to do the most of our work before Christmas Holidays to maintain the farms, such as harvesting, and sheltering the feed, and preparing the cattle sheds and doing the fall plowing, and preparing the winter wood, there is no time, or scarcely any, for stripping the tobacco.

This being a matter of fact, it has come to the ears of the farmers that it is rumored that they are now making an attempt to drive the farmers to market their crop of tobacco before the Christmas holidays, and thereby lessen the cost of the men on the market for the handling of the tobacco by the period of three months. We are entering a protest against it. We are appointed several committees to investigate this, and we ask that this commission will also investigate this matter. We wish to assure you, sir, that we are willing to be reasonable and fair. We ask for nothing but what is equitable and right; but we do ask, gentlemen, that the Congress of the United States or the Government of the United States shall protect us as citizens equally with foreign governments.

Mr. GANNAWAY. Mr. Chairman, we have thrashed this out time and time again, and we went over it very carefully last night and this morning. We in Virginia are at your call whenever we can serve you in the matter.

Mr. FLOOD. Mr. Gannaway, there is no time you can render any better service than right now, it seems to me.

Mr. GANNAWAY. I have just stated to the chairman——

Mr. FLOOD. We have been anxious to get your statement for some time, and you are here now, and it seems to me you had better go into the matter fully and give the commission all the information you can, and let these other gentlemen stay here and render all the assistance they can.

Mr. GANNAWAY. I will say, Mr. Chairman, that for several months I have not gone over my ideas in regard to this case, and I am not prepared to give evidence to-day. I will come up here at Mr. Martin's call, or yours, and I have just said to Mr. Martin that I shall be glad to testify; and I would say that we are as anxious as we can be about this matter, and we should be glad to stay here and complete it

to-morrow, but we are sufferers on the one hand because of these matters we have spoken of, and we are sufferers on the other hand because of the weather, and we have had rains, now, and we are anxious to get home and do some planting immediately. If you find out, after looking over our recommendations, etc., that we can serve you, we will come again.

Mr. FLOOD. We have had this recommendation from you for three years. The commission has had it ever since it was organized a year and a half ago. What we want now is to get facts. Recommendations do not serve any purpose toward solving a question like this, and we want some definite facts, and we want your ideas and the ideas of these gentlemen here as to how we can act under the scope of the resolution under which we were appointed, so that it will result in benefit to the farmers. I want to say to these gentlemen that ever since this commission was organized it has been trying, by conference with the tobacco growers from different sections of the country, to arrive at some plan by which we could adopt a system which would result in bettering the condition of the tobacco growers, and last year the thing narrowed itself down, from our viewpoint, to the grower of the dark-fired type of tobacco, because we understood then that the bright-tobacco grower was getting a very satisfactory price, and the Burley-tobacco grower was getting a satisfactory price, and the northern growers were getting satisfactory prices, and the only type of tobacco that seemed not to have increased in price in accordance with the increased price of labor and everything else, or somewhat in proportion to the increased cost of production, was the dark-fired type.

We consulted with gentlemen who represented these dark-fired tobacco growers, and in accordance with a letter written to this commission by Mr. Gannaway and Mr. Blankinship and Mr. Cawthon and possibly some others, we undertook to get the Bureau of Markets here to send a man abroad to take up the question of the type of tobacco and the contracts for tobacco with the foreign Governments that bought this type of tobacco. The Bureau of Markets did not do that; and this letter, which was written some time before we got it, and came to us in September signed by the officers of the Farmers' Union of Virginia—the officers of that Virginia branch—suggested that we send an agent abroad. In the meantime, however, they had selected an agent, Mr. Bondurant of Prince Edwards County, and we went to the State Department with him and got him the letters——

Mr. GANNAWAY. I would say that I do not think that our organization ever selected anybody to go abroad.

Mr. FLOOD. That is what I understood from the letter I got from you.

Mr. GANNAWAY. I did not say that.

Mr. FLOOD. That is what I understood from Mr. Bondurant.

Mr. BONDURANT. Let me say this: The farmers' union appointed me to do anything that lay in my power. The farmers' union, in securing these orders from foreign governments for tobacco, said that if I went abroad I should use every energy and do everything in my power to secure those orders, and going abroad was the ultimate action on the part of the farmers' union, as the representative of the farmers' union, and approved by this commission, and in that capacity I went, as I suppose the president will bear me out.

Mr. GANNAWAY. Mr. Flood, you request more facts?

Mr. FLOOD. Kindly wait until I get through with the statement I was making. I received this letter—or this commission received this letter—which reads as follows:

FARMERS' EDUCATIONAL AND COOPERATIVE
UNION OF AMERICA, VIRGINIA DIVISION,
Naruna, Va., July 10, 1913.

To the congressional committee investigating the conditions existing among tobacco growers, Washington, D. C.

GENTLEMEN: There is so much unrest, dissatisfaction and poverty existing among the tobacco growers, and the demand for some relief is so urgent, that we believe that this is the opportune time to act in order to bring the producers and consumers closer together, and feeling the need of some action on the part of the National Government to aid the tobacco-growing farmers of the United States to secure a price more in keeping with other farm products, we urgently request the tobacco committee to send a man to the foreign Governments to try to secure the orders of the various European Governments for the tobacco they may need to be furnished by the Farmers' Union direct.

D. M. GANNAWAY,
President of the Farmers' Educational and Cooperative Union of America, Virginia Division.
J. W. CAWTHORN, Jr.,
Chairman Executive Committee.

A true copy.
D. M. BLANKINSHIP, *Secretary.*

That letter is dated July 10, 1913, but this copy was received by us sometime in September following, and soon after that Mr. Bondurant came here with credentials from the Farmers' Educational and Cooperative Union of American, signed by Mr. Gannaway and these other gentlemen, which constituted him their agent, and he said that the purpose of his agency was to secure contracts from Austria and Italy for the Farmers' Union, and I went to the State Department myself and got in touch with the Austrian and Italian ambassadors here, and they expressed great desire to see their governments make contracts with the Farmers' Union for the direct purchase of this tobacco. I wrote you about that, and then I wrote Mr. Gannaway a letter, which I want to put in the record here, because I want this record to show what has been done, telling him what was necessary in order to get this contract from those governments; that the Farmers' Union had to have people who could act and who could contract for them. He replied that he thought I was right about that.

Then Mr. Bondurant came again and said he was going abroad for that purpose, and then the tobacco commission also made him their representative for the purpose of securing from these two Governments, which buy most of the better grades of the dark-fired tobaccos grown in Virginia, the contracts for the Farmers' Union direct; and as the Farmers' Union did not seem to have any funds at that time, this commission provided for Mr. Bondurant's expenses on that trip, and he went abroad. I got a letter from the president of the Farmers' Union of my county saying that his mission, so far as one of the Governments was concerned, was in a measure successful, but that it was not successful with reference to the other one; but we thought then, and we thought that the officers of the Farmers' Union agreed with us then, that the best work that could be accomplished at that time for the growers of dark-fired types of tobacco was to eliminate all the expenses that are incurred on this tobacco between the time

that it leaves the hands of the growers and the time that it gets into the hands of these Governments which buy it, and to let that money go into the hands of the farmers.

I have a number of letters from our ambassador to Italy, Hon. Thomas Nelson Page, who has taken it up and has been working on it ever since, and he reports that the Italian Government is ready to make such a contract if the organization here is in such shape as to contract with it. That was the conclusion that this commission reached last year. We do not know what change there has been in conditions since then, but it might be that some other suggestion would result in more benefit to the farmers at this time, and for that reason I, for one, of this commission should like to hear definite and specific conclusions and suggestions by you gentlemen who have this matter at heart, and who have been here and are here now in large numbers, if you have reached conclusions that may be of benefit to us.

STATEMENT OF E. T. BONDURANT, OF FARMVILLE, VA.

Mr. BONDURANT. Mr. Chairman and members of the commission and fellow farmers, in making this investigation in Austria, after obtaining the consent of the Italian Government to pass the required amount of this tobacco by the Farmers' Union, it seemed to me that the report had gone abroad ahead of me when I went over, as agent not of the commission but of the Farmers' Union, to the end that this Government was not backing this agency, but that it was furthered by a few interests and a few politicians. The object of again taking this matter up with the commission is to disabuse the minds of the foreign governments of the sentiment that has been spread abroad that the farmers of Virginia are receiving remunerative prices, satisfactory prices, for their tobacco. That is a false and erroneous statement that has been sent across the ocean, and it had reached there by the 17th of November. Before I had left the soil of the United States this report had been received over there by cable, that the growers of tobacco in Virginia had received remunerative and satisfactory prices, and a letter that I received, of the 17th of November, from this Austrian agent said "I am glad to note that the farmers of Virginia are receiving satisfactory prices."

Mr. FLOOD. You said that it had gotten over there that this Government was not behind the farmers here?

Mr. BONDURANT. Yes, sir.

Mr. FLOOD. In justice to the Government, I want to read into the record a letter from the State Department. It is as follows:

DEPARTMENT OF STATE,
Washington, December 22, 1913.

The Hon. HENRY D. FLOOD,
House of Representatives.

SIR: Referring to your letter of October 3, 1913, relative to the purchase of American-grown tobacco for foreign consumption, I have the honor to advise you as follows:

You state that a joint commission to investigate the purchase of American-grown tobacco by foreign Governments has ascertained that the prices of certain American-grown tobacco, known as dark-fired or shipping tobacco, purchased by the Italian and Austrian Governments has for some years been less than the cost of production, estimating a fair wage to the grower. You further state that inquiries of the commission have developed the fact that because of present methods of purchase and handling a large per cent of the purchase price paid by these Governments goes to the middlemen, warehousemen, and agents of various kinds, which, if enjoyed by the grower,

would give him a more equitable return for his labor and investment and tend to keep up the production.

You also state that the commission is of the opinion that such an agency between the Governments and the individual growers should be found in a responsible organization of the tobacco growers and that Mr. E. T. Bondurant, of Farmville, Va., is the agent of the Virginia branch of the Farmers' Educational and Cooperative Union, with power to bind it and its members by contract with proper representatives of the Governments and is authorized to agree upon the price, classification, quantity, handling, and delivery of tobacco, and that this union is prepared to bind itself in a satisfactory manner for the various agencies by which the tobacco has heretofore found its way from the grower to the Italian and Austrian Governments.

You requested that such representations be made to these Governments as would secure a sympathetic attitude toward the elimination of the middleman in its tobacco purchases, and substituting the Farmers' Union as the agent for the procurement of such tobacco as they see fit to purchase in Virginia.

In reply I have the honor to inform you that pursuant to your request suitable instructions were telegraphed to our embassy at Vienna, and the department is now in receipt of a dispatch from the embassy, under date of November 26, 1913, in which it is stated that an aide mémoire in regard to the matter was left at the Austro-Hungarian ministry for foreign affairs.

It is also stated that Mr. E. T. Bondurant, now representing the Virginia tobacco growers, called at the embassy and stated that he had begun negotiations with the competent Government official and hoped for a satisfactory result of his efforts.

The embassy states that it is in receipt of a note from the minister for foreign affairs, dated November 21, stating that "no communication in regard to the elimination of the middlemen in the Austrian tobacco trade had been made by the Virginia tobacco growers either to the foreign office or to the competent ministry of finance." This would seem to indicate that the letter referred to must have gone astray or had been misdirected.

You are further advised that the department is informed that the Italian Government, through its agent at this Capital, has consented to the arrangement desired by you.

I have the honor to be, sir, your obedient servant,

For the Secretary of State:

J. B. MOORE, *Counselor.*

Mr. BONDURANT. Mr. Chairman, in order to rectify the impression there conveyed, I want to say that we had a correspondence with our consul general. I never had any correspondence with the official who is in position to make these contracts for the purchase of tobacco on behalf of the Austrian Government, but I have these letters from the Hon. Charles Bent (?), who had promised me that he would deal with the office of the Austrian agent, and these letters, several of them, came to me, one on November 17, to the effect that the first reason that they could not consider our proposition was that they felt that the Farmers' Union of Virginia had not the capacity to pass and deliver this tobacco as desired up to the contract. The second reason was that they feared lest a corps of officials and agents would be scattered all over the State of Virginia similar to the ones they now had. The third reason why they should not give us this order was that the farmers of Virginia would be encouraged to organize a pool; that it would encourage the organization of a pool of the interests of the tobacco growers, and that in a few years they would raise the price of tobacco that the foreign Governments were purchasing, and they went on to say that we should have the governor of Virginia to write a letter to the Hon. Stephen Rock(?), to the effect that it was not the desire of the tobacco growers or farmers of Virginia to establish these agencies all over the State as a substitute for the present ones, and that it was not their purpose to increase the price of tobacco.

My proposition was that as an entering wedge we would furnish the tobacco at the exact price that they were now paying to their agents

for it, and we would return to them a dollar or a dollar and a half and at the end of the first season if we found we could not make this tobacco we would increase the price. That seemed to have struck the key note, and I went at once, on Christmas Eve, to the governor of Virginia and asked him to write a letter to the agency. He said, "Bondurant, you go home and write me out what you want me to say to them"; and I went back and made a draft and gave him an outline of what I wanted, and on the second day of the holidays he handed me a letter he had written to the Hon. Stephen Rock, one of the strongest letters I have ever had written, offering to send guarantees and assurances that it was not the desire of the Farmers' Union of Virginia to create a pool of the tobacco interests whereby they might be forced to pay more for their tobacco. Now, the report that, as I say, had gone abroad was sent direct by the emissaries of the——

Mr. WRAY. As I understood, you had read before the executive committee those letters you received, had you not?

Mr. BONDURANT. Yes.

Mr. WRAY. Was not the tenor of those letters to this effect: That they could not deal with us unless we got the official sanction of the governor of Virginia—of our State government—or of some official that was authorized to do it by our National Government?

Mr. BONDURANT. Yes, sir. I will say, further, Mr. Chairman and gentlemen, it was evident that this report being circulated abroad was to the effect that there was no one pushing this matter but Bondurant; that the farmers were not behind him; that he had, with the assistance of the executive committee, gotten this appointment; and that through wirepulling he had promoted this whole scheme; and the object of this visit of all these gentlemen here was to show the false position that they had taken. I wanted to show to these people and to the tobacco commission that the farmers of Virginia—the tobacco growers of our State both inside and outside the union—were heartily indorsing the action of the union.

Mr. GANNAWAY. Mr. Chairman, in answer to Mr. Flood's question asked just now I desire to state that I will furnish you all the facts necessary. These facts have been gathering for the last five years. Mr. Flood and myself are in this same boat here. We are both sufferers, and I do not doubt our families are sufferers. We people are here, as Mr. Bondurant has just stated to you, appearing in person, saying by that action that we all suffer. We have suggested to you in this recommendation I have just put in, what appears to us to be a solution.

We have two engagements to-day, one with the President of the United States, who has graciously consented to receive this committee, and I am going to ask you to excuse us now and call on us again whenever you see fit.

The CHAIRMAN. So far as the testimony that Mr. Gannaway is expected to give is concerned, the commission will make an appointment for almost any time that suits his convenience.

Mr. GANNAWAY. I am not prepared to give my testimony to-day.

The CHAIRMAN. I understand that; and I say that we will make an appointment for some other day. We have been rceady at all times to subordinate other duties in order to get a solution of this tobacco problem. We have not been able to find any solution—I have not, at least—satisfactory to the commission, and we want all the aid we

can get, because we as earnestly desire to give relief as the growers of the tobacco desire to have it.

So far as the plan of Government monopoly is concerned, I have not seen my way to interest myself in that behalf. I have no sort of bias or prejudice about the matter, and if it can be shown me that that is best, although I want to find some other way, if it is beneficial to have a Government monopoly, we will take it up. I do not believe it is ever going to be a solution of the problem, and I do not believe it is ever going to be possible to pass through Congress such a measure, if you try to do it. I have seen very few farmers who have been willing to say to me that they believe it ought to be adopted. If they entertain the view they have not expressed it to this commission. We have had a great many of them here on the witness stand to testify, and I think with one exception they have condemned it as impractical and undesirable. But I am willing to hear, on that or anything else. I am ready to use every effort to reach a fair conclusion. I have no interest nor bias nor prejudice one way or the other. I want to reach a solution. We want the facts and reasons, and if the farmers of Virginia can point a way, we will take it up. If we can find a way that they have not pointed, we will take it up.

It has occurred to me—it is in a crude state in my mind and only in a crude state, but I have felt—that some agency on the part of the United States might be of some service; that if the Government had an agent who would undertake to sell the tobacco to the foreign Governments he might command more respect, and the growers might get more good in that way than in any other way. The law has gone a long way to relieve the farmers' unions of any complications under the antitrust law, and there has been a disposition on the part of Congress to give the freest opportunity to the farmers to combine for the advancement of their interests in this matter; but we have not been able to find a satisfactory solution of it, and we want your help. If you can find a way we will follow it. If we can find a way, as I have said, whether you point it or not, we will follow it. But we have not yet any light that is satisfactory, and we will appoint a time whenever the farmers of Virginia want to be heard. We want to close this matter up as soon as possible. Certainly we ought to make a report in December to Congress. We can not do anything sooner than that. But between then and now, in the interim, if you can furnish any facts, if you can furnish any solution or any facts, we will fix a time and have a hearing whenever it is desired, so that Mr. Gannaway and others can come here with any notes in their possession and give us all the information that they can gather.

Mr. GANNAWAY. On behalf of this organization and the farmers of Virginia, I want to thank you and Mr. Flood both for the efforts you have put forth in our behalf. As to coming back here and going into this thing more fully, I had that in mind when I asked you not to accept evidence to-day. I could not go into this thing unless I had my notes before me—I could not possibly undertake it—but we will come at any time you desire us to do so.

The CHAIRMAN. I want to say to you that the labor of this whole matter has fallen on Mr. Flood. He is right in the tobacco country. I have been so driven by many matters that I have appealed to him to take substantial charge of this whole matter, and he has devoted a great deal of time to it and has done more than I have in regard to it and is better informed on it than I am; but both of us are ready to respond to any calls upon us.

Mr. WRAY. In regard to what the chairman has said, that the farmers were not in favor of a Government monopoly, I want to say that he is aware of the fact that there were three State meetings of our union at which it was almost unanimously adopted, and that it has been adopted at a number of our county meetings; but we have all been animated, I believe, by the theory that that is the only solution of it we can see. If you all can find any other way in any way in the world to give us relief, we will accept it; but that is the only thing we can see, and that has been indorsed at three meetings of the union in the State.

Mr. FLOOD. What Senator Martin has referred to is that in all the hearings we have had there have been only you and two or three others who have said they were in favor of it. Most of them would say they were not. I know that down through my section of the State, where I went, in Amherst County and Appomatox County and Buckingham County, I found very few people who were in favor of it.

Mr. WRAY. That is a matter that I wish to understand. You say they say one thing and we say another.

Mr. FLOOD. Here is another thing. I should like to make this suggestion, that I believe it will be a long, long time before we have assembled in Washington another such representative gathering of Virginia tobacco growers as is here now. Of course, if your situation here to-day is such that you can not make your full statements, you will have to go, but if you could make a statement, I do not believe there is any better time to take this matter up than right now, because I do not believe that so many of you will ever get here together again.

In regard to the Government monopoly bill, which you say is indorsed by the union, this commission would have very little to do with that anyway. We could only make a recommendation. A bill has been introduced in the House of Representatives and referred to the Committee on Ways and Means. It was introduced on the 10th of last February, I understand, and referred to the Committee on Ways and Means. Have you all had a hearing before the Committee on Ways and Means?

Mr. GANNAWAY. No, sir.

Mr. FLOOD. Have you made any arrangement for a hearing?

Mr. GANNAWAY. No, sir; we have not.

Mr. FLOOD. That committee has jurisdiction of the matter now.

Mr. WRAY. Mr. Flood, has the commission made a report of your investigation that might go before the proper authority at the proper time? You have been investigating this thing for some time, and if they should begin at the beginning they would have to cover the same ground that you have already gone over.

Mr. FLOOD. Are you awaiting a report from this commission before you take up the matter before the House committee?

Mr. WRAY. We have been anticipating a report.

Mr. FLOOD. You do not propose to take up that bill before the Ways and Means Committee until this commission makes a report on its work?

Mr. WRAY. The resolution appointing the commission says that you are to investigate and report, as I read it, and we want you to conclude this investigation and make a report as early as practicable.

Mr. FLOOD. That is another reason why you had better stay here and get through with this matter to-day.

Mr. BONDURANT. I should like to say that this Government monopoly bill was presented as a negative issue, with the idea that it may possibly in the future be the remedy; but we are asking for a report and a certain action and a certain recommendation from this commission. In other words, we adopted only a reference to the Government monopoly bill in that way, so that was just a belief that was expressed that possibly the only real solution might come through a Government monopoly bill. We did that because of trying in some way to be consistent. They had passed this resolution about a dozen times in the union.

Mr. FLOOD. Do you not think that when you introduce a bill involving a great principle you ought to give the committee that has charge of that bill the facts upon which they could act?

Mr. BONDURANT. Of course I do, but I do not believe that that bill was farthered by enough of the farmers of Virginia to be pushed before a committee, because we recognized after mature consideration that it was a thing that we would not get in a generation, and we come to it referring to it as a negative proposition, still holding out that the solution of this thing will possibly reach Government monoply, but from the present standpoint, from the present outlook, we felt that immediate recognition on the part of this commission would give us a remedy which might never call for a Governmen monopoly. Now, we know, or we ought to know, enough about the Government monopoly of the tobacco business, to know that it would be referred to by our Congress as class legislation, and that all of the industries of our country might have the right——

Mr. GANNAWAY. May I interrupt you a moment?

Mr. BONDURANT. Yes, sir.

Mr. GANNAWAY. Mr. Chairman, this commission was appointed some two years ago, and I think you can very well afford to give us a few more meetings.

Mr. FLOOD. Oh, understand that I was just making suggestions to you.

Mr. GANNAWAY. And I would say for this body that we have not here to-day half of the delegates who were appointed. Owing to the conditions at home and these showers coming all over the State, many of them did not come. We have here only five from my county. If we may have this hearing at some future time, we can assure you of a delegation from Virginia, sure enough. We certainly appreciate this hearing you have given us.

Mr. FLOOD. I am delighted to see so many gentlemen here to-day.

STATEMENT OF J. N. TERRY, OF NEWS FERRY, VA.

Mr. TERRY. Mr. Chairman, I come here representing the second largest county in the State in the Farmers' Union, the county of Halifax, a bright tobacco county, and when the statement was made that the bright tobacco growers were getting the worth of their money I could not let this opportunity pass without saying a few words on it.

Gentlemen, I have made tobacco for 40 years, by one means or another, and about a dozen years ago, when the prices went down through the pressure of the American Tobacco Co., I was forced to quit, so far as making it with hired help was concerned. All the hired help that was worth having left to go to other work, because they could not live on the prices they got. The only means we have to-day of raising the weed is through such tenants as we can get to make it for part of the crop, and, as has already been stated in our report, we know what that is bound to result in.

Mr. FLOOD. You can not raise bright tobacco and pay the wages that are demanded and get out even?

Mr. TERRY. No, sir; I can not. When a man farms the land on shares, I get half of it. When I put wage hands in there myself the wage hands get nearly all of it, and there is little or nothing left, after I put my brain and my effort into it; there is little or nothing left for the land and the mule. There is nothing in it but hog and hominy.

Mr. FLOOD. You are in the same fix as the dark tobacco growers?

Mr. TERRY. Yes; and I find every member from the bright tobacco section here tells just about the same tale; and I want to call your attention to the fact that this report was unanimous from the bright as well as the dark tobacco men: and we want to stand shoulder to shoulder, on the theory that while they are down, we are down ourselves.

Mr. GANNAWAY. Mr. Chairman, may I ask if you prefer that we should meet here during the hot summer months, or that we should meet in September?

Mr. RICHARDSON. What do we want to go away from here for without settling this thing now? We know the whole situation. What is the use of coming back to Washington again with a big delegation? We can come, as of course we would, although we would not have as many; but what is the use of coming back at another time? If we want any evidence, we can get the evidence. It is not necessary to give Mr. Flood any evidence. He is from a tobacco section, and he sees the people all around him suffering from the low price of dark tobacco. You get the evidence from your own constituents at home, Mr. Flood.

Mr. FLOOD. I get evidence, but what I wanted to get was your suggestions as to how we can relieve the situation. You gentlemen have been thinking about this thing even more than I have, and I should like to have your idea as to what relief we can give you.

Mr. RICHARDSON. A tobacco man in my town, Mr. Putney, who had given to a western tobacco journal the average of 7.15 for dark tobacco of Virginia, which I think is too high, said to me, "Mr. Richardson, what would satisfy your people?" I said, "Our people will be satisfied with about 2.35 a hundred more on the average on that dark tobacco—10 cents more on the average—on the floor of the warehouse for that dark tobacco." If something can not be done to give them 2.35 a hundred more for their tobacco, we had just as well quit. Now, what is the use of going home and coming back here again?

Mr. FLOOD. If you can take the trouble to come back it will be agreeable to us; but what we want is suggestions from you and other gentlemen as to how you can get that 2.35 a hundred. We go all

through the country in the dark-tobacco sections and nowhere does it average more than 7½ cents, and the testimony of everybody is that that is less than it costs to produce it.

Mr. RICHARDSON. Yes; we have not made any money on it in five years.

Mr. FLOOD. What we want is a suggestion as to how to accomplish this. We have thought the best way was to bring the Austrian and Italian buyers directly in contact with the organized farmers.

Mr. RICHARDSON. Can not Congress appoint a commission to deal with these people as an organization of some sort? Of course, I do not know the conditions.

Mr. FLOOD. I have introduced a bill to establish a bureau to deal with these Governments.

Mr. BONDURANT. That was approved in this report which we have presented this morning. It was a recognition of the work that you have done. After discussing this matter thoroughly together last night we united on that report, because we thought it met with the approval of the people who had fought along that line.

Mr. WRAY. Did it not develop at our meeting at Farmville that the Austrian people were giving about 10½ cents f. o. b. for tobacco?

Mr. BONDURANT. No, sir; 15 cents delivered in Vienna, and 16 cents for Kentucky tobacco.

Mr. WRAY. And of that the growers received about how much?

Mr. BONDURANT. About 8½ cents, and the warehouse charge had to be taken out of that.

Mr. WRAY. And that the man between got this rake-off?

Mr. BONDURANT. Yes.

Mr. FLOOD. If it would not tire you gentlemen, I should like to read you a copy of a letter that I wrote Mr. Gannaway. This Government can not do this, and the Austrian and Italian Governments can not do it. It has got to be done by a combination between the tobacco growers. They have got to have a business organization which can deal with these Governments. A foreign government is not going to make a contract unless they are satisfied that the contract is going to be carried out.

Mr. RICHARDSON. I did not refer to that. Can not Congress appoint a commission to lay before these Governments the fact that we are making tobacco at a ruinous price?

Mr. FLOOD. This commission can do that. What you mean is, Can there not be a commission appointed to go to these Governments and make a representation to them?

Mr. RICHARDSON. Yes.

Mr. FLOOD. This commission can do that.

Mr. RICHARDSON. And represent to them that it may finally result in a Government monopoly of the toabcco. I think something of that sort may move them. I do not want to go home and tell my people that we came up here with a big delegation and did nothing.

Mr. FLOOD. Mr. Richardson, when you come down to a final analysis of this matter, there has got to be some means by which the tobacco can go from your hands to the hands of the foreign governments.

Mr. RICHARDSON. We can arrange all that.

Mr. FLOOD. When that question was raised the reply was that there was no such organization as that.

Mr. RICHARDSON. We can form an organization to pack the tobacco and send it to them.

Mr. FLOOD. Last September I wrote this letter to Mr. Gannaway in answer to this communication which was dated July 10, but which I did not get until December. My letter to Mr. Gannaway and his reply to me are as follows:

SEPTEMBER 6, 1913.

Mr. D. M. GANNAWAY,
Guinea Mills, Va.

Mr. J. W. CAWTHON, JR.,
Appomattox, Va.

GENTLEMEN: A few days ago I received a copy of a letter signed by you, under date of July 10, 1913, addressed to the Congressional Committee Investigating the Conditions Existing Among the Tobacco Growers. The commission has received no such letter, and I only received a copy of it more than a month and a half after it was written.

In this letter it is suggested that the commission send a man abroad to try to secure orders from foreign Governments for the Farmers' Union direct. This suggestion was made to the commission by Mr. E. T. Bondurant when he testified before the commission of the 28th of June, 1913, and impressed me as being a practical suggestion. I suggested to Mr. Bondurant that before this matter could be taken up the Farmers' Union would have to put itself in such shape that it could contract with the foreign Governments. If this is done, the commission would be glad to open negotiations with those foreign Governments, but you will understand the commission must be in a position to speak for some organization that can make a binding contract with these Governments, otherwise—

We will be met at the very doorway with the proposition that no man sent by the commission will have the power to bind any association or organization in the United States. Neither Austria nor Italy would contract with any person who has no power to bind the real parties to the contract, in this instance the tobacco growers. The most that could be done by such a mission as you suggest, would be a conference between the agent of the commission and the officials of those Governments who administer tobacco monopolies.

I can secure such a preliminary conference here with ambassadors of these Governments, and it would probably be better to start in that way.

The régie officials in Austria and Italy merely represent the administrative departments of those Governments, whereas the ambassadors represent in this country the entire Governments of their countries and are in touch with the most intimate authorities of each, and they would certainly be heard with respect by their own Governments, and in presenting the American tobacco growers' views to these ambassadors we would have in our behalf the sympathetic attitude of our own State Department.

But in my view, nothing of a definite and practicable nature can be done unless and until the Farmers' Union, through its executive committee, advisory board, or other property authority shall take some action which would be binding on the Union to stand by such beneficial agreement as may be made with foreign Governments. There must be some agent or committee properly and legally appointed under the authority of your charter who has the power to contract and power to bind the union by such contract.

If this contract is made, I believe, with Mr. Bondurant, that it will result in great good to the tobacco growers and will put the Farmers' Union in a position where it can control the production and prices of tobacco in the territory affected by the contract. The contract itself would enable the union to pool the tobacco of its members, because it would insure a market for all tobacco which the union was to handle and would give the union credit because they could raise money easily on tobacco which they handled after it was seen that it would soon be taken off of their hands by these foreign Governments. There are other beneficial results which will occur to you gentlemen.

But you should understand that the commission can do nothing for the Farmers' Union in inducing the régie Governments to buy direct from it unless the Farmers' Union will assist to the extent of appointing agents who are authorized to speak for the union and to bind its and its members.

The commission can not contract for the union, but can only use its good offices to induce the foreign Governments to contract with the union.

These Governments will not act unless they know in advance exactly what they are to do on the one hand, and what the farmers, acting through the farmers union, will do

on the other hand. It is not a simple thing to change established commercial machinery and customary methods in dealing with millions of value and thousands of persons, and it is especially difficult when you have to deal with governments. If the régie governments are to be asked to give up their agents through whom, up to this time, they have been doing business, they must have some reasonable guaranty that the system which they are going to substitute for it will work.

If the middleman is to be eliminated, then in some way the facilities and conveniences with which the régie governments now depend upon the middleman, must, with some reasonable efficiency, be supplied by the farmers' union. For instance, the question of price, grading, places of delivery, quality, quantity, and time of delivery, and many other details, must be discussed and fixed upon, and must be done between the accredited agents of the governments on the one hand and the accredited agents of the farmers' union on the other.

If you will clothe some agent with authority to speak for the union, the commission will at once take this phase of the tobacco question up directly with the ambassadors of Austria and Italy and, I believe, if you desire it, will send an agent abroad. Of course, I do not know whether it would succeed. In any event, I believe the chances of success are worth making the effort.

I will be delighted to aid, in any way I can, to bring about the results which you desire and which I believe will ultimately benefit the producers of tobacco.

Very truly, yours,

FARMERS' EDUCATIONAL AND CO-OPERATIVE UNION OF AMERICA,
VIRGINIA DIVISION,
Guinea Mills, Va., September 9, 1913.

Hon. H. D. FLOOD, *Washington, D. C.*

DEAR SIR: Your letter, wherein you discuss the tobacco question at some length, has just been received. I beg to say that I am astonished to know your committee was so late in receiving the resolution signed by Cawthon and myself and left with Mr. Bondurant to deliver when in Washington City.

Your letter shows very clearly that you have given the subject some serious consideration.

Every point you mention has been gone over by us many times, and we realize the many obstacles we may have to confront and the difficulty in changing the old system of purchasing tobaccos.

However, something must be done and that quickly. Therefore it becomes us all to do whatever we can to give relief to the producers and to allay the great dissatisfaction that is rapidly growing in volume.

Our executive committee meets in Lynchburg on the 25th of the present month and we will go over the matter then and report promptly to you.

Even if the contracts have been let to agents, it may be possible and advisable for the prices to be changed. I have good reasons for believing they will be advanced.

Thanking you for the interest displayed, I am,

Yours, very truly,

D. M. GANNAWAY.

You see, that is what I said to Mr. Gannaway a year ago.

Mr. RICHARDSON. We have already an Italian order for tobacco to pack.

Mr. FLOOD. If you have this organization so that we can deal with it—so that we can say to these Governments that we can deal with it—there will be no trouble about doing the business.

Mr. BONDURANT. I would say that we should accept Mr. Flood's letter as the basis on which to appoint this committee. That letter comprises, in my idea, the basis on which we can arrive at the exact fulfillment of the resolution referring to a bureau of markets. He sent me a copy of that letter, and I insisted, and they did give a power of attorney to act for them; and we wanted further, since we have fallen down on securing this Austrian order—since we have been recognized by the Government of Italy and refused recognition by the Austrian Government—to let these Austrian people know that this cry has come up from the farmers of Virginia, and that on the

basis of that letter alone this commission will recommend to the Austrian Government and its agents that they do give us the contract for this tobacco and assure them that we will fulfill that contract.

Mr. RICHARDSON. Mr. Flood, this small order that we have gotten, this Italian order that Mr. Bondurant got when he went to Europe, helped the price of dark tobacco on my market at least a dollar a hundred, did it not, Mr. Bondurant?

Mr. BONDURANT. Fully.

Mr. RICHARDSON. And the report has now gone out through some of the papers that the farmers were elated at the prices that they were getting for their tobacco. That is all false. With that advance of a dollar a hundred pounds they are still making tobacco at a loss, and have been so doing for five years. They will ask us, "Why do you make it?" We will tell them that we are hoping for something to turn up so that we will get a remunerative price for our tobacco. You know it is hard for a farmer to get out of one thing and into another.

Mr. FLOOD. If you will tell us what you want to do, we will take some action.

Mr. PADGETT. It seems to me we are putting ourselves in a very bad light here.

Mr. FLOOD. Oh, not at all.

Mr. PADGETT. We have passed a resolution suggesting as this committee asked us to suggest. Now we are coming here asking for something different from what we asked this morning. If you will read that resolution presented here, drawn up this morning, I think you will find that that resolution contains what you asked us for.

Mr. SLOCUM. It looks to me like we have the solution right in that letter. We are organized in Virginia, and we have the right to establish a bureau; and with your representations, and that bureau, I can not see why we can not do business.

Mr. GANNAWAY. We tried to make it very plain in our resolutions that our suggestion was first that you send an official of this Government over there to try to get a contract direct from the purchasing Governments abroad; secondly, that you recommend the establishing by the United States Government of a bureau of marketing; and in the event that these things fail, that we adopt the Government tobacco monopoly, so-called. In the meantime we hope that we will have an opportunity to explain our views and the legal points involved in Government monopoly. We could not possibly do it to-day. All of my correspondence is at home. I have a few notes in my room at my hotel, but it would take me some time to get this evidence in concrete form.

Mr. FLOOD. Do you not believe that if you ever succeeded with a Government monopoly proposition it would be a long, long time before you did so?

Mr. GANNAWAY. I am not here to discuss that to-day. I have at home your letters and everybody else's letters, and all the evidence.

Mr. FLOOD. Do you not believe this, that so far as any immediate relief to the tobacco growers is concerned, you are more apt to get it from an arrangement by which the farmers' union can sell their tobacco direct to the big purchasers of their tobacco?

Mr. GANNAWAY. I do. That is what I have said before.

Mr. RICHARDSON. I think that would be satisfactory to most of the dark tobacco raisers, if we could accomplish it.

Mr. FLOOD. I want to impress you again with the fact that it is utterly futile to talk about foreign ambassadors, and sending men abroad to talk to the Governments about these contracts, until you have the authority to say to them that you can furnish so much tobacco, and that you will do it, at such and such a price, and that all dark tobacco growers are going to sell their tobacco through this union, and until you can satisfy them that you can fulfill your contracts, and until you get your organization in that shape you can not expect them to make any contract with you. You can not expect them to give up the existing machinery which they have.

Mr. SLOCUM. That is why I think we ought to have this bureau.

Mr. FLOOD. You mean a Government bureau?

Mr. SLOCUM. Yes.

STATEMENT OF A. B. HADEN, OF SYCAMORE, VA.

Mr. HADEN. Mr. Chairman, I am from the bright tobacco belt. I am from Pittsylvania County, and it seems to me that the dark tobacco is altogether under discussion here.

Mr. FLOOD. That was in that letter. That, of course, did not refer to bright tobacco.

Mr. HADEN. From what I understand now, it seems to me that it is up to us of the Farmers' Union to put ourselves in a position to fill the orders, provided we get this bureau and the purchasing agent. If we do, then the Farmers' Union must be in a position to prepare its tobacco and must be reliable, so that when these orders are procured these foreign nations will know what they can depend on. It seems to me that it is up to the Farmers' Union now to see that we have something to back up this action.

Mr. FLOOD. I have always believed that if the growers had an organization they could get money enough to handle their tobacco, because with these contracts for the sale of the tobacco they certainly can finance their business operations. The man who would lend them the money would know that they were going to sell the tobacco right away to a responsible party.

Mr. GANNAWAY. The recommendation set forth in our resolutions there are all the recommendations that we are prepared to hand you to-day.

Mr. FLOOD. But they are not all the recommendations that some of these gentlemen are making.

Mr. SLOCUM. I think the solution is right there, in the bureau.

Mr. WRAY. They are unanimously in favor of this set of resolutions.

Mr. FLOOD. Our position is this, that we are all sort of groping in the dark, and I think we can get a great deal more from you gentlemen by talking to you face to face than by reading a set of resolutions that you have adopted when we were not present; and that is why I was very anxious that you gentlemen, as many of you as could, should stay here and talk the matter over as fully as you could. Of course if you can not do it, you can not do it; and if you do not care to make any further suggestions at this time, we will just consider these that you have made.

Mr. BONDURANT. I would make this suggestion, that all of those who can stay over and confer with the commission shall do so. We are going to have another meeting of the committee at 12 o'clock, and we can appoint a committee and empower them to act in that capacity and make any adjustment or give any reasons or explanation that you desire at their hands.

Mr. SLOCUM. Do you make that as a motion?

Mr. BONDURANT. I make that as a motion.

Mr. SLOCUM. I second it.

Mr. BLANKINSHIP. We have no right to make motions here. This is not a meeting of the union.

Mr. BONDURANT. That is right. I will not make it as a motion. I will withdraw it.

Mr. CAWTHON. If I understand the situation, the growers in the dark-tobacco belt to-day want relief and want it speedily. Now, if we go into the creation of a bureau of any kind it means that we can not get any relief on the crop we hope to plant this year; but if the commission will act on the suggestion in the resolution as outlined by the President and by this body to this honorable commission to-day and will use the good offices of this Government with the representatives of foreign governments, asking those people to deal directly with the farmer—if you will do that, gentlemen, and aid us in getting those orders direct, we will do the balance.

The CHAIRMAN. We can guarantee you the fullest cooperation of the commission on those lines. You just qualify yourselves to make tangible contracts for the sale of tobacco and we will facilitate it in every way in our power.

I suppose this will end our conference for this trip to Washington, and there will have to be a new appointment when you desire to take the matter up further?

Mr. GANNAWAY. I think so, Mr. Chairman, unless after we meet at the hotel we find there is something else.

(At 11.45 o'clock a. m. the commission adjourned.)

THURSDAY, JUNE 25, 1914.

COMMISSION TO INVESTIGATE THE PURCHASE OF AMERICAN-GROWN TOBACCO,
Washington, D. C.

The commission met at 10 o'clock a. m., in the committee room of the Senate Committee on Appropriations. Present, Senator Martin (chairman) and Mr. Flood.

There were also present the following members of the committee from the Farmers' Educational and Cooperative Union of America: A. B. Thornhill (chairman), of Bent Creek, Va.; J. M. Fee, of Dillwyn, Va.; R. D. Wilson, of Huddleston, Va.; H. M. Green, of Saxe, Va.; R. Lee Chambliss, of Rawlings, Va.; E. T. Bondurant, of Rice, Va.; C. S. Gordon, of Baskerville, Va.; D. M. Blankinship, of Naruna, Va.

There were also with the committee J. M. Terry, of News Ferry, Va.; and W. F. Wood, of Concord, Va.; also T. E. Chambers, of Blackstone, Va., the latter not a member of the union or the committee.

The CHAIRMAN. We will be glad to hear anything, in view of what has taken place since you were here, that you want to suggest.

STATEMENT OF MR. A. B. THORNHILL.

Mr. THORNHILL. Mr. Chairman, at a meeting held by the delegation from the Virginia Tobacco Growers' Association and Farmers' Union, after the conference yesterday morning, they have thought it wise to send this committee before you for a further conference with a view to getting information as to the best method of procedure to reach this desired end of relief. The committee presented a resolution yesterday covering the ground as they saw it. Of course, this resolution was drawn within one day's meeting, and not expected to be a perfect paper or to cover the ground absolutely perfectly. We realize the fact that it ought to be thrashed out and the right process gotten at. We hope to be able to do so by a conference with you gentlemen, when we have a great deal more data on the subject than we can possibly get now. We come to-day to ask suggestions from you. If you think well of the paper that we presented, if you think well of the line of procedure we have marked out, we will be glad to have an expression from you about it. If you do not think it will work, we want your criticism of it and suggestions from you as to how best to proceed to get this relief.

We feel, Mr. Chairman, that you all, citizens of our Commonwealth, are vitally interested in these things yourselves, and that you have given a great deal of time and study to it and can give us valuable advice and information as to how to proceed to secure it. We want to work in cooperation with you to secure the desired end, the relief to the farmers. The fact is, we are selling tobacco for less than the cost to produce it. We come to you to ask suggestions at your hands, rather than make any further suggestions to you.

Suppose we read the resolutions offered yesterday.

(The resolutions offered by the association at the meeting of the commission on yesterday were then read.)

Mr. THORNHILL. We ask your criticism of this paper and your suggestions, and if not asking too much, we would be glad to have the stenographer make a copy of the suggestions made here so that we can take it back to our body and confer with them. We can't take this back by memory. We want to quote you correctly. We will be glad to have a record of this so that we can take it back to our people.

The CHAIRMAN. The stenographer will take everything down, we will have it printed, and we will see that you get an adequate number of them.

Mr. FLOOD. Speaking for myself, I know enough about the conditions in the tobacco-growing section to know that the statements of fact contained in what I would term the preamble of that resolution are pretty nearly correct. This commission, I think, has been satisfied from the investigation it has made that the tobacco grown in the dark fired section of Virginia, Kentucky, and Tennessee costs the producer more money than he gets for it. I do not reckon anybody who is familiar with the conditions will question that, provided you allow a reasonable compensation for the labor put in that tobacco. The result has been what that paper states—that the landowners can not afford to pay money wages to employ people to raise tobacco, and they have to let the land out on shares, or the tenant system, and it is raised by tenants or croppers who work their

children, and in that way get some ready cash that they would not otherwise get for the labor of themselves and their children, and it enables them to keep their children at home and get a small wage for themselves and the children. That leaves an unhealthy condition. Tobacco growers, even those who have labor themselves, are getting too little for the labor, and it keeps them in a state of, I will not say poverty exactly, but keeps them much less better off than they are entitled to be and ought to be. All those facts have been thoroughly established by the evidence here. What I have been interested in is to reach some conclusion as to what action we could take to relieve the situation. I have got my own ideas about the matter, which I have been expressing to gentlemen interested in the growing of tobacco for some years. I had a resolution pending before Congress looking to the establishment of this bureau of tobacco markets here. That bill was reported from the Foreign Affairs Committee of the House of Representatives on August 19, 1912. I made the report and filed the bill in this report, recommending that very thing, the idea being that this Government, with all its powers, was better able to deal with foreign Governments than the individual tobacco grower or organization of tobacco growers. I set that out in the report. At that time, I want to call the attention of you gentlemen to the fact, I tried very hard to interest the Farmers' Union of Virginia in that resolution, but failed utterly to do it. I had voluminous correspondence with a number of officers in reference to this very resolution, and they did not seem to think that it would bring the relief.

I still think, if that could be done, that is all that you are ever going to get this Government to do. We have not become a socialistic Government yet. The Government is not going to any more buy all the tobacco raised in this country than they will buy all the corn. It has got to be another generation to take charge of this Government than the generation now controlling public affairs before you will ever get any such proposition as that through Congress. That is my opinion. I have thought that something on this line might be accomplished, but two years ago when I took it up with gentlemen controlling the Farmers' Union, they did not seem to think it amounted to much. Then my idea was, until that could be done, if it could be done, and I am not certain that you could get a measure like that through Congress—you are not certain to get anything through until you try—if the tobacco growers would organize themselves so compactly that they could form a business organization that had power to speak for the tobacco growers, and could satisfy the foreign Governments that they could speak for them, an effort ought to be made to have the foreign Governments make a contract directly with the farmers through their organization and let the farmers get the benefit of all the money that the foreign Governments pay for the tobacco. I do not know how much they do pay ultimately, or how much the representatives in this country and what we term the middlemen, get. It must be a right considerable amount. Most of them get rich themselves. If these foreign Governments will not give enough for it, I don't know whether you could accomplish it, but the representations could be made to them to show them that they are not giving enough, and, if they did not give more, their supply of tobacco would be lessened; and I have

thought, if you did not take hold of the proposition of the Government bureau of markets of tobacco, the next best thing was for the farmers to organize and undertake to make a contract. I know that was brought out last year when Mr. Bondurant went abroad.

That was Senator Martin's view last year when Mr. Bondurant went abroad for the purpose of making this contract; but you gentlemen will appreciate that you have got to have a business organization in your farmer's union that can satisfy these foreign governments that if you contract with them to furnish them so much tobacco you are going to do it, provided the crop doesn't fail. They have got machinery all over the country for buying their supply of tobacco; they have built it up after years of effort and experience. They are not going to just cast that aside and adopt an entirely new scheme unless they are satisfied that they will get their supply of tobacco with the same facility and ease that they get it now. The initial work has got to be done by the farmers themselves. The Government can't take hold of any crop and make it bring remunerative prices. All over Virginia they used to raise tobacco. When I first came to Congress, in Botetourt County, Va., they raised a good deal. Now they don't raise any, because it doesn't pay. They are paid better by raising tomatoes, and they stopped raising tobacco. Lots of crops at times have not paid. The Government could not undertake to guarantee to a man who raised any crop that he was going to make a profit on it; but the Government ought to, and I believe will, help these farmers in their efforts to get a fair and square deal from those foreign governments and from the domestic buyers; but I do not see that very much can be accomplished unless the farmers and tobacco growers organize themselves in a shape to deal with these people. I entertain the hope and belief that if they can get these contracts, the result will be a right considerable increase in the price of tobacco, not as much as I think it ought to, not as much as I think the farmer ought to get for his tobocco. Now, Mr. Terry, I am speaking of this dark fired tobacco. I don't know much about your tobacco. I am talking about the tobacco that I understood was the one type of tobacco in this country that was bringing so much less than the cost of production. Those have been my ideas for some time.

Mr. THORNHILL. Is it your idea to get the governmental bureau established and then the farmers deal through that with the foreign governments?

Mr. FLOOD. No, sir. My idea was to try to get that, but in the meantime for the farmers to get to work and get themselves in shape to make this contract themselves. They may find that they would rather do it, that they would rather have the organization themselves than have it through the Government. If you don't care, I will read you what I said in this report. It gives you my ideas that I had two years ago; and the Foreign Affairs Committee unanimously reported this resolution at that time, and if we had gotten sufficient support in the country to justify us making a fight for it, we might have gotten it through.

I will read that report:

[House Report No. 1213, Sixty-second Congress, second session.]

The Committee on Foreign Affairs, to which was referred the House concurrent resolution (H. Con. Res. 1) requesting the Secretary of State to confer with certain Governments and ascertain if some satisfactory arrangement can not be made by which

these Governments will purchase their supplies of tobacco from a bureau of tobacco industry to be established by the United States for the purpose of providing and furnishing the said Governments with their supplies of American tobacco, and report the result of the said investigation at the earliest practicable time, having had the same under consideration, reports it back to the House with the recommendation that the resolution be agreed to.

The underlying reason for the resolution will be found in the condition of this trade as it affects the interest of a large body of American citizens now engaged in the production of tobacco for export.

The situation of the American tobacco planters is somewhat analogous to that which existed in Brazil in the coffee industry prior to the establishment of the government monopoly of that business. The condition of the coffee planter was formerly one of hardship and poverty, but since the arrangement has been perfected through the intervention of the Brazilian Government in conjunction with certain foreign bankers to market the coffee crop, the prices of the same have advanced very considerably and the condition of the Brazilian coffee planter has been immensely improved.

It is proposed in this resolution to have the State Department ascertain if some similar arrangement can not be devised by which the American tobacco farmer will be placed upon a plane of equality with the purchasers of his product. The situation as it is to-day is this:

The American farmer produces tobacco and when he comes to sell an as individual is confronted with the agent of either a foreign Government or a foreign tobacco monopoly. In other words, there is combination and cooperation of the buyers of the American product without a corresponding combination or cooperation on the part of the American seller.

Great Britain imports something like 100,000,000 pounds of American tobacco per year and imposes an import duty of 88 cents per pound upon leaf tobacco and 89 cents per pound upon strip tobacco. This tobacco is largely purchased in the United States by a tobacco monopoly, namely, the Imperial Tobacco Co. of Great Britain and Ireland (Ltd.). This tobacco is exported to Great Britain, passing through the British Government warehouses, paying the duties above stated, and after this is taken in hand and manufactured by the British tobacco monopolies who in addition to the extravagant revenue add on a considerable profit for themselves. Conservatively stated, the farmer who raises tobacco for consumption in Great Britain hardly averages 10 cents per pound gross, out of which all his expenses and labor must come. This same tobacco yields a new revenue to the British Government of approximately 88 cents per pound and a tobacco monopoly profit of perhaps 4, 5, or 6 cents per pound, thus yielding a new profit of something like 900 or 1,000 per cent on the price received by the American farmer.

France for many years has operated a Government monopoly of the tobacco business and is reported for the year of 1907 to have made a net profit upon its Government tobacco monopoly operations of 85 cents per pound. This tobacco was bought from the farmer at a price perhaps not in excess of 8 cents per pound.

The Italian Government has for many years likewise operated a Government monopoly of the tobacco business and for the years 1906–7 is reported to have made a profit of 93 cents per pound upon tobacco which would scarcely average more than 9 cents per pound to the American farmer.

Austria and Hungary have for many, many years operated a Government tobacco monopoly and for the year 1906 is reported to have made a net profit upon the Government tobacco monopoly operation of 39½ cents per pound in Austria and 33 cents per pound in Hungary.

Some 10 years ago the American tobacco manufacturers secured the tobacco business in Japan, but the Japanese Government, seeing the possibilities of such an organization, took over the business in tobacco in their country and makes an immense profit.

The point involved in all of these cases is the same. It is that the American farmers' product is disposed of to the ultimate consumer at a price so greatly advanced above that which he receives, being in some instances as much as 1,100 per cent, it is conclusive that the price received by the American farmer is inordinately reduced or else the prices charged by foreign Governments and foreign tobacco monopolies would be prohibitive.

The purpose underlying this proposition of establishing the bureau of tobacco industry is to place the export tobacco business in the hands of the United States Government, so that foreign Governments in seeking their supplies would have to deal with a factor as concentrated and powerful as themselves. In other words, this resolution seeks to put the tobacco trade upon terms of equality. It seeks to place the American farmer under the protecting arm of his Government in order that foreign Governments

and foreign monopolies may not despoil him. It is to be assumed that the Federal Government in the operation of this bureau, should one be established, would be reasonable and conservative and not undertake to oppress or to exact unreasonable tribute from foreign Governments; but it is likewise to be assumed that it would not stand idly by and permit these Governments to exact from the hand of the American toiler a tribute, thus unloading upon our people the burden of foreign governmental taxes. It may be argued that a policy of this kind would result in injury to the tobacco farmer, in that it would induce foreign Governments to raise their own supplies or else seek elsewhere to secure them. The answer to that proposition is found in the fact that these attempts have already been made in every quarter of the globe, but nowhere has it been found possible to find a satisfactory substitute for the American weed. Tobacco, in fact, is grown in practically every country of the globe except Great Britain, but the products of these different countries can not in any true sense be said to be competitive with that of America. The practical illustration and feasibility of such a plan is demonstrated in the Brazilian coffee situation. It would seem that the rest of the world might easily furnish coffee to take the place of Brazilian coffee, and other countries do furnish large quantities of it, but these facts have not in any sense weakened the hold of the Brazilian coffee monopoly, which, it is said, exacts a tribute of something like $20,000,000 per year from the American coffee-consuming public.

The situation in the Regii countries with reference to American tobacco is about the same. I will illustrate by going more into detail in reference to Italy.

In that country tobacco has been a State monopoly since 1883. The net receipts of the Government from this source are between $35,000,000 and $40,000,000 per year. Only a small proportion of the tobacco manufactured is grown there, and this is of the coarser grades. American tobacco dominates the Italian situation.

It is undoubtedly true that Italy can not get the tobacco now supplied by America from any other country nor can she raise it.

The difficulties in the way of raising it are numerous.

First. The cultivation of high-grade tobaccos requires a high degree of skill, a large amount of labor, and a big expenditure of money. Many of the tobacco growers of Italy are poor, not very active, and ignorant. They confine their efforts to crops less laborious, less expensive, and less risky.

Second. The facts that tobacco is a Government monopoly is a serious hindrance to its widespread cultivation. In order to grow tobacco, a man must put in a bid and be accepted by the authorities. The farmers dislike the fact that the public officials are upon his premises interfering with the management of his crop, and the Government is unable for many other reasons to extend the cultivation of tobacco.

The conclusion, then, is that Italy is still dependent upon the American crop. The home production is not sufficiently advanced to permit the Government to stop buying American tobacco, and it is not likely to be. The Virginia tobacco is not produced in Italy at all, and the Kentucky tobacco in very small quantities. It is apparent, therefore, that if faced with the situation of not getting American tobacco at all or paying a fair price for it, the Italian Government would unquestionably pay a reasonable and honest price, and the same is true of Austria-Hungary, France, Spain, and Japan. It is conservative to state that at least $400,000,000, including Government revenues, is added to the tobacco products of America before the ultimate consumer gets it, and it is equally conservative to state that if the Governments which are buying this tobacco could be brought to the point of giving a fair price for it that $200,000,000 of this money would go to the men who raise this crop.

It is not the purpose of this resolution to propose a plan of unreasonable exaction by which America could impose upon her neighbors, but the purpose is to establish a system under which fairness can be expected by the tillers of the soil of America.

The tobacco business is peculiar in many respects, and without a thorough knowledge of it it is difficult to understand the true situation. It is a situation in which it is impossible to expect a remedy through competitive effort, in that certain countries use certain grades of tobacco while other countries use entirely different grades, and although there might be no collusion between these countries, no purpose on their part to cooperate for the depression of prices, the fact remains that one practically makes the prices on the grades which he uses while the other does the same on the different grades required by his country, and therefore the tobacco business is more or less monopolistic.

In a general sense the foreign Governments do not compete with each other in the purchase of their supplies. It is true that Italy and Austria have certain grades in common, but the tobacco suitable for Austria or Italy is in a large measure entirely unsuitable to France and still more unsuited to Spain and entirely unsuited to Japan.

Many years ago, when the Italian Government purchased its tobacco on contract, there was spirited competition between the representatives of the respective bidders

for this contract, but later the contract system was abolished and the Italian Government began the purchase of its tobacco direct; and further competition was eliminated in that the Austrian Government and the Italian Government purchased their goods through the same agent, thus presenting the spectacle of two great foreign Governments combining to deal with the individual farmers.

Within the last few years, however, this combination between Austria and Italy has been severed and they are now represented by separate agents, but both having a common interest—to get the product of the American farmer as low as possible—realize that it is in their interest not to be unreasonable in the competition between them.

If the arrangement proposed by this resolution could be perfected it would at once remove all opportunity for oppression and place in the hands of the American Government the power to protect the interest of its citizens against invasion by foreign Governments.

Mr. FLOOD. I said that that is as far as we will ever get the Government to go.

The CHAIRMAN. Wouldn't it be well, even if this resolution is going to be proceeded with, in the meantime, for the Farmers' Union to appoint an agent or agents with full authority to contract with foreign Governments for the sale of tobacco, because these congressional matters and State Department matters move very slowly, and it is not at all likely that anything could be accomplished, with the utmost efforts we could put forth, in time to handle this year's crop? There is no incompatibility between the policy outlined by Mr. Flood in that resolution and report and the plan of appointing an agent to do the best he can to get the moral support and assistance, as far as possible, from the Government in the meantime. It seems to me that the first step is to appoint an agent with full authority to negotiate with and contract with the foreign Governments for their tobacco that they want to buy, and when you appoint that committee or that agency—one man or any number, as you may see fit; whatever agency you appoint to take this matter up and handle it—you will have the fullest support that we can give. Nobody can speak for the State Department or executive department of the Government or can guarantee anything, but they have shown a disposition to cooperate with us, and we will use our utmost endeavors to get the moral support of the Government in the aid of your agency; but if you want to make any effort at all to handle your next crop, you have got to do it through your own agency, and this other we will try to have follow later; but we can not get that effectively in operation, if at all—and we are very hopeful that it may be done—certainly, it can not be done in time for your next crop. If you are going to do anything with your next crop, you have got to do it with your own agency and have the moral support and assistance of the Government; and so far as this commission is concerned, we rendered such support to Mr. Bondurant as we could and will to any other committee. We will do the utmost we can to assist in the matter, including the expenses. I have not looked over the account as to how much money is at our disposal; but if you have to send somebody abroad, or whatever we can do at home, we will aid your agency; but you have got to deal with it for the present by your own agencies and get the moral support of the Government.

The plan that Mr. Flood outlined in that resolution and report is not incompatible with that, and can come along later; but your first step is to get a community of thought and action in your organization and authorize somebody to represent you and qualify him to speak for you and bind you in a contract to deliver this tobacco just as Mr. Bondurant did. He got some sold to the Italian Government, and it helped

immediately; it seemed to get permeated through the country that something was being done in that line, and it put tobacco up from one to two dollars per hundred. New effort on the same line, but with greater force behind it, in an accumulative way, may help the price of tobacco next year; but I don't think you will do anything else.

One other thing. I say this with great reluctancy. This scheme of Government monopoly is not making an impression on the country. I do not think it is making very much impression on the farmers. It is a very complicated proposition. It is very difficult to get the Government to take hold of an individual business like that; and I see no probability whatever of its ever being done, certainly in our lifetime. You are just reaching for the shadow and losing the substance. I say that with much hesitation, because some farmers are deeply interested in the idea. Mr. A. F. Thomas seems to have started the plan. On paper it may look attractive, but it is such an intermingling of government in private affairs that whenever you mention it to a man you can't interest him. I do not know anybody in public life who has ever expressed his satisfaction that it was practicable and right. Instead of frittering away your time on that which is reaching after the shadow and losing the substance, you had better undertake something that is possible. It is possible, it seems to me, and probable, that you can get the aid and cooperation of the Government; but you are not going to get the Government to take charge of the tobacco industry. It is not coming. As I say, I say that with great hesitation, because I know there are people who are agitating it (and you will always find agitators), but I believe it best to be frank. I do not believe it is possible to pass it. If we took hold of it and all your friends from Virginia would, I do not believe it is remotely possible in our day and generation to accomplish that result; and I think this resolution seems to look upon it as simply a possibility of the future. Evidently this resolution was not penned by people who looked upon it as a present possibility.

The only thing in sight is to make your own agency, authorize somebody to deal with this subject and contract with the foreign Governments; then we will give all the aid we can through the commission and we will appeal to the departments of government—the Department of Commerce and the Department of State—to get everything we can from them. I think this resolution of Mr. Flood's ought to be pressed. I think it is the only thing that offers any hope of relief. Mr. Flood has given more thought to it. I have done the best I could, but I have not the familiarity with the subject or with the people who are growing tobacco that he has; and he has given a great deal of thought to it, and he worked out that as the only thing that he could see in the way of accomplishing anything, and I fully concur in it and I believe it will be wise to press that resolution and press the policy outlined in his report; but in the meantime establish your own agency and try to do something in dealing with these foreign Governments. That is our conclusion. It is the best we have been able to do. If you want us to pursue any other policy, we are your servants in the matter.

Mr. FLOOD. You gentlemen understand that this commission can not report a bill to Congress. We take all the facts and conditions of the tobacco growers and report those facts and make recommendations, and then a bill has to be introduced and it goes to one of the other committees. A resolution like I introduced will go to the Foreign Affairs Committee. A bill providing for Government monopoly goes to the Ways and Means Committee, but we do not report any bills. We are not one of the regular committees of Congress, but a special commission gotten up to ascertain the condition of tobacco growers and report that back to Congress. That ends our powers. We would have to follow a bill through some other committee.

Mr. BONDURANT. I want to ask Brother Thornhill, with the permission of the Chair, as to the resolution read by Mr. Flood relative to the Brazilian coffee resolution, what support do you think the members of the committee and the farmers' union will give? Do you think it would meet the desired end, Mr. Thornhill?

Mr. THORNHILL. I could not answer that now. What I want to say is this, and I think it is justice to you as a public man. You wrote to our people, Mr. Flood, and have had some correspondence. That correspondence, I think, should be incorporated in this report of this committee.

Mr. FLOOD. That report will be put in the proceedings of this morning.

Mr. THORNHILL. I mean the correspondence you had two years ago. I certainly think that it is the right of every public man to be put properly before the people he represents.

Mr. FLOOD. All right. I will put some of that in.

Mr. THORNHILL. You had this correspondence with these officials. I think it is due all parties that this should go in. We would be glad to have the correspondence incorporated in this report that you are going to give us when we get back.

The CHAIRMAN. How many copies of this hearing would you desire? I mean the hearing of yesterday and what transpired to-day. How many would you like to have for the farmers?

Mr. THORNHILL. We have 25 counties represented, and it will average at least 500 to the 25 counties. We will want more than that, because 42 counties are organized, and only 25 represented. There are about 15,000 members.

The CHAIRMAN. You want fifteen or twenty thousand copies of it? I think we can furnish you that many.

Mr. THORNHILL. I would like for everybody to know what has been done about this, and when everybody knows, there is nobody to criticize.

The CHAIRMAN. I am very glad to have the Farmers' Union members individually to think about this so-called Government monopoly, because I have no object on earth but to promote their interests; I have the strongest incentive to do that and none to do the other way. It would be mighty easy for me to come and say that we will have a Government monopoly to control this thing, but there is no use talking about it. You can talk about it as much as you choose—it is agreeable to me—but I will tell you frankly it is not going to be done, it is not practicable, and you will not live long enough to see it done.

You know there are a heap of people interested in this Government besides the tobacco growers, and they will all kick and say, "Why should you take the tobacco business up and guarantee or insure a profit to them? Why not do it for wheat and corn and coal and iron and every other product that American labor produces?"

You will find the opposition is not in Congress, it is with the people. It is only the tobacco-growing interest that is interested in this, and all other industrial callings will oppose it. It is my judgment it is not expedient or practicable; it is not going to be done. I am anxious for the individual judgment of the farmers because I have an abiding faith in their ability to work this scheme out as well as anybody else, but I don't want to see them just going along with a few people or a few agitators, theorists—very good people, no doubt, but there are always some people that get perfectly absorbed with doctrines and theories, and they lose sight of the practicability of the theories that they are advocating. That is what, in my judgment, they will be doing if they pin their faith to the idea of Government monopoly. We want to get some relief. I want you to think of it individually and come to a judgment on your own individual responsibility; and when you do that I do not believe you will frit away your time and lives with something that is not going to materialize.

Mr. THORNHILL. What would we have to do to secure this Government contract with the foreign Governments? What position would we have to put ourselves in; have one contracting agent from our body so as to contract for the whole body, or sell on order?

The CHAIRMAN. I think you ought to have one contracting agent, or as many as you please, but to act as a unit. You want an organized agency to speak for you; you might have one man or three men; need not put it in the power of one individual if you don't choose; you can divide the responsibility.

Mr. THORNHILL. Suppose a year like this year: There is not going to be more than 50 per cent of a crop. Suppose we had contracts that we would deliver so many hogsheads of tobacco. How are those contracts made? I ask that for information. I am not a lawyer or a man of big business affairs; I don't know how those things are made. Can a contract be made with elasticity enough to cover natural emergencies about the supply?

The CHAIRMAN. That is a matter of negotiation. I don't see why not. It certainly ought to. I would not be willing, if I were in your place, to contract for tobacco that I could not deliver.

Mr. THORNHILL. I wanted to know if an arrangement could be made for that.

The CHAIRMAN. I think it ought to go in the contract.

Judge WALTER A. WATSON. There is present here to-day a gentleman who does not belong to the Farmers' Union, but a prominent tobacco man and warehouse man—Mr. T. E. Chambers, of Nottoway County. If it is the pleasure of the gentlemen, I would like for you to hear Mr. Chambers.

The CHAIRMAN. We will hear Mr. Chambers.

Mr. T. E. CHAMBERS. Mr. Chairman and members of the union, I am glad to be here with you in reference to seeing if we can not get some relief for the tobacco situation. It has been a question that has been very dear to my heart, and I have given a good deal of thought to it. I have been in the warehouse business about twenty-odd years, as floor manager, then as salesman of tobacco for the last six years. I disbanded an organization that pooled their tobacco known as the Blackstone Dark Tobacco District Association. They pooled their tobacco several years and came very near coming to a success, but they met with failure. A great many

buyers of tobacco said that they did not care to buy it from that organization because it was not put up in a way that they wanted it, and they advised the farmers to operate their warehouse; so I represent the farmer stockholders who are operating the warehouse, plant with about 175 members. I am their salesman and general manager. I know the conditions that exist, and I think we are all working to the same end, but how to reach that end is a question that we have not exactly decided on. I wish to say that I heartily indorse and agree with Congressman Flood. I think he had the key to the situation; in fact, his ideas and my ideas coincide right along.

Now, as to Senator Martin, I agree with him in part. I think he is working along the same line. All of us are trying to get relief, but I think we have got to get relief through organization of the farmers in a compact organization that can come up here and put up a business proposition to this committee or to the Government, and let the Government make a report to the Italian or Austrian Government or any Government that buys tobacco. The dark tobacco, the grade we are speaking of, is known as Italian and Austrian tobacco. They come over here and buy these tobaccos. They have a monopoly, and they buy our tobacco as cheaply as they can and go back over there and make as much money as they can on that to support their Government. Now, I am in the dark belt. I hear my farmers say every day, "I sell my tobacco for 6 or 7 cents on an average" (and our tobacco for the last three years has averaged between 6 and 7 cents, 7¼ at the outside) "and when I go to the store and pay 5 cents for a plug of tobacco, which runs about 35 or 40 cents a pound, the price never varies." They seem to lose sight of the fact that it is not one piece of our dark tobacco that we grow that is consumed in the United States, with the exception of the snuff order. The snuff people buy the snuff grade of tobacco. All our tobacco is exported to foreign countries who have monopolies and make their money off the production of tobacco. What we are trying to do now is to reach the Governments in some manner so that they will give us relief—give a better price for our tobacco. Senator Martin says he thinks a good idea is to contract with them. They are business people, just like the farmers are trying to be business people, and organize themselves to make money off tobacco and to raise the price.

The Italian and Austrian Governments are organized to make money off tobacco. They have a monopoly, and their idea is to buy it as cheaply as they can. You go to them and say, "We farmers want a contract for tobacco." They say, "Why do you want a contract for tobacco?" "Well, we want the middleman's profit. We have figured out that there is a middleman that comes in here who is getting a great big rake-off, and we want that rake-off." "Well," they say, "you can't eliminate the middleman, because if you make a contract with me you have got to have an agent, and that agent has got to go to work and put your tobacco in keeping order and pay insurance and interest on it, so your middleman is just like my middleman. After you get a middleman and I give you an order, it is just a stick to crack my head with. Your idea is to put up the price. Your interests and mine are not running along the same line; consequently I would rather have my agent than have yours." It is my candid opinion—I may be mistaken; you may have that question

better solved than myself—I do not believe that you are going to get recognition from the Austrian or Italian Government. If Mr. Thornhill or Mr. Bondurant or Mr. Gannaway were sent over there, they might say, "We want next year 1,000 hogsheads of Austrian A's, 500 hogsheads of Austrian B's, and 700 hogsheads of Austrian C's; we are willing to give you the order. Now, we will do what you want us to do." It is not either one of these gentlemen here in a position to make a contract with them, and they haven't got the nerve, if they had the whole union behind them, to sign an ironclad contract to deliver these goods.

Mr. FLOOD. They have got to get in that position before they get the contract.

Mr. CHAMBERS. I understand that. I will tell you why they can't do it. Say, for instance, they get in that position, what would be the trouble about it? It would be this: They would come back with that order. Say Mr. Casey, who is now representing the Austrian order, will say, "These farmers have gone up there and gotten an order for tobacco. We will go into the market and push tobacco up two or three dollars a hundred." What will be the consequence? The farmers will be so tickled with the price they got he couldn't get enough to fill his order. The farmers are mighty hard people to hold when I put my tobacco in here and get $15 for it next August, and I put it on the floor to-day and get the equivalent of $15 and put the money in my pocket and go home.

Mr. FLOOD. How is that?

Mr. CHAMBERS. Suppose you had an order for this tobacco and you could give them their equivalent for it, which would be a dollar or two more for it; say, $15 this coming August for this year's crop; that would not be money for it before next July or August if you had an order for it, and the present men who are buying it, knowing the situation, go on the loose market and buy tobacco, shooting it up to an equivalent of $15 right now.

Mr. FLOOD. Of course, all this thing is speculation. Now, you are speculating and I am speculating. My theory has been and the idea I have had is that, if the farmers got themselves in a position to make this contract, the contract ought to be so far as the Government is concerned, exclusive; the Government ought to contract to take all the tobacco they take of the Virginia type from the organization and not from anybody else.

Mr. CHAMBERS. That is a beautiful theory, but mighty hard to put in practice.

Mr. BONDURANT. I want to ask one question: Hasn't it been the experience of the independent dealer, when he bought this tobacco under the same conditions that you suggest—in an instance where they had to go and sell through the channel—he says, "Well, you met me on the floor in competition and now you want me to take the tobacco off your hands and pay for it at a profit or even a break even." He says, "No; you met me on the floor and you paid $3 to these farmers to boost the prices. Now, sir, if you los that $3 I will take your tobacco and let it go through my order." When you have a bona fide order, Brother Thornhill, and you have agreed to take that tobacco only through that order, this independent man would be perfectly at the mercy of the outlet for that tobacco.

The CHAIRMAN. As I understand your argument, Mr. Chambers, you are opposed to cooperation and think that the farmer must take care of himself, and you argue against cooperation at all.

Mr. CHAMBERS. I must not have expressed myself clearly. I make this argument: I said I did not agree with you on the plan that they organized themselves in a compact body and make this order direct to themselves.

The CHAIRMAN. If they don't organize they must act separately.

Mr. CHAMBERS. My idea was that Mr. Flood had the key to the situation—for them to organize in a compact body and get the Government to take it up under a compact organization. Congressman Flood said that at one time that proposition was taken up with the farmers' union. As I see it now I think they made a fatal mistake in not backing up Mr. Flood's idea on that line. They have got to get themselves into organization. You have got to organize in a compact organization and get the Government to back you, because I believe the question of handling it direct with the Italian Government is too big a proposition for the farmers of Virginia, when you take into consideration what percentage of our Virginia farmers make the dark tobacco. Between 4 and 5 per cent. Couldn't they stop off and just leave us?

Mr. THORNHILL. I understand you to say you are a warehouseman and farmer?

Mr. CHAMBERS. I am manager of a warehouse and a farmer.

Mr. WATSON. How do you want the Government to assist in this proposition? Your idea seems to be the farmers' organization can't by itself do it. How do you expect the Government to do it? What is your idea?

Mr. CHAMBERS. I am not familiar enough with Government workings to hardly suggest that, but my idea would be this: That after this committee gets all the evidence before them and you make your report, it seems to me that we ought to have another committee from Washington, and I believe there is where you are going to get more relief this year. If you could get a committee from this Government, or even a letter directed to the Austrian Government or Italian Government saying that we have been investigating this matter two or three years, and we have proved beyond any question that our farmers are not receiving proper compensation for their tobacco. We have not as yet taken any action, but if you do not give us some relief, then we expect to take action. We believe that alone will put the price of tobacco up.

The CHAIRMAN. You will never get such a letter as that. No department of this Government has authority to issue any such letter unless there is some legislation first to authorize it. You can't get the Secretary of State to write a foreign Government that if they don't do so and so they will take them in hand. It is incompatible with the usages of government. You could not find diplomatic agencies of the Government trying to intimidate a foreign Government in a commercial transaction.

Mr. FLOOD. We have to deal with foreign governments as men deal with each other. I could not undertake to compel you to give a better price. I might try to persuade you.

Mr. CHAMBERS. Couldn't Congress appoint a committee, say a committee consisting of you, who are a resident of that country?

Couldn't they appoint you, say, as a representative of the Government, and also indorsed by the Farmers' Union (you are a Farmers' Union man and a farmer) and get the indorsation of your Government over there and get the ear of the Government? Is that practicable?

Mr. FLOOD. I don't think there is any trouble about getting the ear of the Government or about sending a man over there. I believe if we can satisfy them that their demands can be supplied and that they can get tobacco just as well from the Farmers' Union as from the agencies they have here, the Farmers' Union will make a contract with them. I have talked to ambassadors about it. They seem to be favorable to it, and I believe it could be done.

The farmers have got to pool their tobacco. If they make a contract with the Austrian or Italian Government that Austria or Italy should buy all the tobacco that they need which is grown in Virginia from this organization, they have got to be backed up by the tobacco growers, and the tobacco has to be pooled. My idea has been—as I said, it may be idle theory—if the farmers can organize with a good business man at the head of it and get these contracts, it would not be any trouble getting the money. They could get advances of money to pay for the tobacco—pay them half or pay them all—because there they would have the tobacco as security and would have a market for it.

Mr. CHAMBERS. I am not going to take up much more time. I would like to say this: There is a man sitting over there that has done the hardest work of this kind of any man I have ever seen. Mr. Bondurant has worked like a dog over this, but before Mr. Bondurant gets to the Austrian Government, from the consuls or whoever represents them here, there are lots of cablegrams going over there saying that Mr. Bondurant is going over there in behalf of somebody else. Mr. Bondurant has that to be confronted with.

Mr. FLOOD. Of course, it is hard to change the policy of any government or to change the methods. It is hard to change the method we have here of dealing with public questions. It is a hard thing to change a governmental fixed custom; it is hard work.

Mr. CHAMBERS. I am willing to do the utmost and do everything in my power. I think Mr. Flood's plan is a better one.

Mr. FLOOD. They don't conflict.

Mr. BONDURANT. His is the real substance and background of the matter.

The CHAIRMAN. There is no difference between Mr. Flood and myself.

Mr. FLOOD. Not at all.

Mr. CHAMBERS. Except I understood you thought it would be a good thing this year. It would be a good thing if they could do it.

The CHAIRMAN. That is Mr. Flood's idea, too; in fact, I think that I got it from him.

Mr. BONDURANT. One we want this year, and the other will take time to be adjusted.

Mr. CHAMBERS. I would like to ask, Mr. Bondurant, if you received an order last year.

Mr. BONDURANT. Yes, sir.

Mr. CHAMBERS. Could you fill that order?

Mr. BONDURANT. Yes; I could have filled that order. I did not make a special effort.

Mr. CHAMBERS. Mr. Bondurant's order advanced the price of tobacco, I will say that.

The CHAIRMAN. I don't know what plan might be worked out. The farmers might pool their tobacco themselves and await the result and accept the average. They must work out the business proposition themselves. All I am advising is unity of action, concentration of effort, and cooperation and having an authorized head that can deal for you and in your name and give assurance to foreign Governments and contract with the foreign Governments, and then we will undertake, as far as in our power, to give moral support of the Government, as far as we can get it, until legislation can be had. That is all we can do.

Mr. FLOOD. The men who raise this tobacco are not able to put the tobacco in a pool and get nothing for it. It is the money crop of nine-tenths of them. They have got to have some money for it. It represents the labor of a year. They are bound to have some money. They can't pool the tobacco without some money. They are bound to have an advance. Some might be satisfied with one-half value and some with all of it. I always thought that if the Farmers' Union had a business organization and had these contracts they could go to the banks and get advances of money; give these advances when they brought the tobacco to pool.

Mr. Thornhill, you spoke about these letters that I mentioned Here are some I have:

JULY 31, 1911.

Mr. D. M. GANNAWAY,
Guinea Mills, Va.

DEAR DAVY: On April 17 I wrote you a letter in which I inclosed you a copy of concurrent resolution No. 1 and H. R. 70, introduced by me in the House of Representatives on April 4. I introduced these propositions in the Sixty-first Congress. On April 20 you wrote me that you were calling the attention of your people to these bills. Since then I have heard nothing from you in reference to it. Under the Democratic program these bills can not be considered at the extra session of Congress. They can, however, be taken up for consideration at the December session. I would be glad if you could let me know as soon as possible what position the Farmers' Union has taken in reference to them.

Very truly, yours.

That is one letter I happened to find. I don't know that the union ever took any action, because I never got any reply stating that they had taken any action on it.

There is some other correspondence in 1912 I happen to have. Then I wrote a number of such letters as this:

JULY 31, 1911.

Mr. W. P. MASSIE,
Sandidgas, Va.

MY DEAR SIR: I am herewith inclosing you copy of House concurrent resolution No. 1, and House bill No. 70, introduced by me on April 4 of this year. I have made no effort to get these measures considered by the Committee on Foreign Affairs, to which they were referred, because the program adopted by the Democrats of the House did not include the consideration of such measures as these. They will therefore not come up for consideration until the December session of Congress. The purpose of both the resolution and the bill is to get information upon which to base any actoin that the Government may take in the interest of the tobacco growers. I am deeply interested in this question, and have been investigating and working on it for years. There was no chance, however, to do anything with a Republican Congress, and in my view we ought not to undertake to do anything until we have such information

that our action would be wise when it is taken. I am sending these copies to you to get your views upon them.

Some of the officers of the Farmers' Educational and Cooperative Union of America gave me a copy of a bill providing for the taking over by the Government of the tobacco industry; that is, the purchase, manufacture, and sale of it. The constitutionality of this bill is extremely doubtful, but apart from that I have not been able to get enough information to enable me to determine whether its effects upon the tobacco growers would be beneficial or otherwise, and until I had information enough to reach a conclusion on this subject I would not be willing to be the patron of such a bill. I think the tobacco interest of the country, from the standpoint of the grower, is too great to be trifled with and too great to be legislated about without proper information. For instance, if the Government bought the tobacco raised by the farmers, it would have to place a limit upon the amount which each farmer would be allowed to cultivate. Would our farmers be willing for the kind of supervision by the Federal Government this would necessitate? I would be glad to get your views on this bill also, as I am anxious to get all the information I can in reference to it.

With best wishes, I am,

Very sincerely, yours,

H. D. FLOOD.

Mr. FLOOD. I sent out a number of letters with copies of this resolution and the report, and I got very few replies. If I look up some I will file them with the record.

Mr. FEE. In your opinion is it necessary for the Farmers' Union to change their organization for incorporation?

The CHAIRMAN. I see no reason why you have to change your incorporation. I have no doubt it is sufficient. One thing is certain, the farmers can't individually deal with this subject at home or abroad. Unless you make some agency, either one man or a number of men to look after it for you, it will not be looked after; and you will have to give them such power as you are willing to intrust them with—power to contract whatever you determine on. It seems to me they ought to have power to contract; but I am not prepared to make any suggestion for even an effort to help the crop about to be planted or being planted, except giving moral support, because that is all we can give. There is no law that has been passed that will authorize the State Department to take charge of this business, or the Department of Commerce to undertake to be an agent to sell your tobacco. They can aid, and they have been very willing. Mr. Bryan wrote and cabled over and did what he could to give countenance to your efforts and moral support to what you are asking, and if at any time there is anything that you think we can do as your Representatives, you can tell us and we will make the best efforts we can. It is a very difficult proposition.

Mr. FLOOD. I think if they ever got these dark-tobacco growers organized to deal with foreign governments, you gentlemen would not have much trouble going in with them and dealing with the domestic buyers.

The CHAIRMAN. As far as the manipulation of the market by the trusts at home, we are doing all we can. There is legislation pending now that may help it. We have done everything we could to put the Farmers' Union independent of the antitrust law.

Mr. THORNHILL. If we found buyers in America for all our crop of dark as well as light tobacco, would that be an infraction of the trust laws as now existing?

The CHAIRMAN. I don't see how it would. As far as the Farmers' Union is concerned, we expect to have a clause in the law exempting the farmers' unions and labor unions from the operation of the Sherman law, and we believe it will be done. As far as your Virginia Representatives are concerned, they have been making an earnest effort on that line. I don't think anybody is going to prosecute the Farmers' Union. I don't think they will, even as the law is. We expect to put the law so that they can not do it.

Now, if there is anything further, we will be glad to hear from anybody.

Mr. CHAMBERS. I would like to say this. I certainly indorse what has been said about the bill of the Government making a monopoly, because, if you put your efforts on that line you are certainly going to make a failure. The more I think of that the more impracticable I think it is. I don't think the farmers of Virginia ought to ask the Government to do anything about taking charge of tobacco and seeing that they get justice and leaving the other farmers out. I believe if we put our efforts along organization as outlined this morning, we will have success.

The CHAIRMAN. We are glad to hear any suggestions. We have told you everything we are able to work out ourselves. We will be glad to hear from you and glad to see any of your committee or members.

Mr. THORNHILL. On behalf of the committee I want to thank you for this courteous conference and information given us, and we would be glad to have suggestions from you at any time.

The CHAIRMAN. We will make them freely if we hear of anything and expect you to criticise them. We are here to represent you and to help this industry if we can.

Mr. THORNHILL. I don't see that the commission can do any more than it has done.

The CHAIRMAN. We have responded to every call made on us as far as possible. We will have an ample number of these proceedings printed, and whom shall we mail them to?

Mr. THORNHILL. Send to D. M. Blankinship, Naruna, Va.

The commission adjourned subject to call.

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TITLE